

ASSEMBLY BILL

No. 2291

Introduced by Assembly Member Fletcher

February 18, 2010

An act to amend Section 2954.8 of the Civil Code, relating to mortgages.

LEGISLATIVE COUNSEL'S DIGEST

AB 2291, as introduced, Fletcher. Mortgages: impound accounts.

Under existing law, financial institutions that make specified mortgage loans are required to pay at least 2% interest on amounts received in advance for payment of taxes and assessments on the property, insurance, or other purposes related to the property.

This bill would specify that these purposes include insurance proceeds received by the lender for payment for repairs or rebuilding of the property after a catastrophic loss.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 2954.8 of the Civil Code is amended to
2 read:
3 2954.8. (a) Every financial institution that makes loans upon
4 the security of real property containing only a one- to four-family
5 residence and located in this state or purchases obligations secured
6 by ~~such~~ *the* property and that receives money in advance for
7 payment of taxes and assessments on the property, for insurance,
8 or for other purposes relating to the property, shall pay interest on

1 the amount so held to the borrower. *These purposes shall include*
2 *insurance proceeds received by the financial institution after a*
3 *catastrophic loss and held by the institution for payment for repairs*
4 *or rebuilding of the property.* The interest on ~~such the~~ amounts
5 *held by the financial institution* shall be at the rate of at least 2
6 percent simple interest per annum. ~~Such~~ This interest shall be
7 credited to the borrower's account annually or upon termination
8 of ~~such the~~ account, whichever is earlier.

9 (b) No financial institution subject to the provisions of this
10 section shall impose any fee or charge in connection with the
11 maintenance or disbursement of money received in advance for
12 the payment of taxes and assessments on real property securing
13 loans made by ~~such the~~ financial institution, or for the payment of
14 insurance, or for other purposes relating to ~~such the~~ real property,
15 that will result in an interest rate of less than 2 percent per annum
16 being paid on the moneys so received.

17 (c) For the purposes of this section, "financial institution" means
18 a bank, savings and loan association, or credit union chartered
19 under the laws of this state or the United States, or any other person
20 or organization making loans upon the security of real property
21 containing only a one- to four-family residence.

22 (d) The provisions of this section do not apply to any of the
23 following:

24 (1) Loans executed prior to the effective date of this section.

25 (2) Moneys which are required by a state or federal regulatory
26 authority to be placed by a financial institution other than a bank
27 in a ~~non-interest-bearing~~ *noninterest-bearing* demand trust fund
28 account of a bank.

29 The amendment of this section made by the 1979–80 Regular
30 Session of the Legislature shall only apply to loans executed on
31 or after January 1, 1980.